

### REMARKS

This Amendment is made in response to the Office Action dated December 01, 2006. A Request for an Extension of Time is submitted herewith to permit the filing of this Amendment in the third month. In the following, the undersigned will respond to each rejection and objection by paragraph number as appears in the outstanding Office Action.

With regard to paragraph 4, Applicants respectfully traverse and request reconsideration of the rejection of claims 1-4, 13-14 and 21-18 as being anticipated under **35 U.S.C. § 102(e)** in view of U.S. Patent No. 6,594,640 of Postrel (herein “the Postrel Patent”).

### **CLAIM 1**

Applicants traverse the Examiner’s holding that the passages below **of Postrel teach**

**Claim 1:**

1. A method of managing a first points issuer and a second points issuer, wherein first points are issued by a first points issuer and differ from the second points that are issued by the second points issuer, said managing method is implemented by a computer programmed to effect the following steps of:

(a) a customer setting a first number of the first points to be sold;

**(see column 4, lines 3-45)** “A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the use has reward points. The reward server computer decreases the user’s reward point account by the requested number of reward points. The reward server computer conveys consideration to the trading server computer, where the consideration corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of

points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading server computer confirms that the user's reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional points in the event that his account does not contain the requisite number of points for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are exhausted. After redemption the consideration is transferred to the respective merchant."

(b) the first points issuer setting the point withdrawal rate of the first points and the second point issuer setting the deposit rate of the second points, each of said withdrawal rate and of said deposit rate being indicative of the monetary value of each of the first points and each of the second points respectively;

**(see column 4, lines 3-45)** "A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the use has reward points. The reward server computer decreases the user's reward point account by the requested number of reward points. The reward server computer conveys consideration to the trading server computer, where the consideration corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading server computer confirms that the user's reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional points in the event that his account does not contain the requisite number of points

for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are exhausted. After redemption the consideration is transferred to the respective merchant.”

**(column 3, lines 35-45)** “An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value. In another embodiment, the award program looking to reduce frequent flyer liabilities may contact users and arrange for a transfer of the reward miles into a value (which may be predetermined) to be credited to the trading system reward. Alternatively, the points may be bid for in an auction environment where points may be used to bid for certain awards.”

**(column 5, lines 35-40)** “The rewarding entities may be any type of entity that has a service for allocating points or consideration for user actions. The reward server computers 10, 12, 14 may be of any type of accessible server capable of holding data about a user along with a corresponding earned value that is negotiable for other goods, services, or points of another system.”

**(column 6, lines 25-50)** “The trading server computer 20 ‘obtains’ the reward points from a reward server 10, 12, 14 stored in the user’s account 52 by contacting the appropriate reward server via communication flow 110 (step 608) according to the user’s requirements, by using the connection parameters as defined in a database 54 on the trading server as shown in FIG. 5. In one embodiment, the trading server retrieves reward point account balance information via communications flow 114 (step 610) from the reward server for the user. In another embodiment, the trading server transfers as part of the communication 110, the requested reward mileage to be redeemed step 612). The reward server computer 10 decreases the user’s reward point account 52 by the requested number of reward points (step 614). The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in “frequent flyer” point or mile. The reward server computer 10 conveys consideration to the trading server computer 20 where the consideration corresponds to the number of reward points decreased in the user’s account 52 on the reward server 10 (step 616). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets

paid at the end of a predefined billing cycle (i.e. every month). The trading server computer 20 increases the reward exchange account 54 associated with the user by the received number of points (step 620).”

**(column 11, line 60 – column 12, line 8)** “The interface would allow a user to login using the frequent flyer account information or preferably, the trading server account login id and password, where the user may use points awarded from another air carrier or point server to “pay” for the services accessed. The account balance from the trading server may be transferred to the local controller prior to takeoff for each user that logs in to the trading server. Once the plane has departed, depending on the linking or access capability afforded by the air carrier or service provider, the user’s account may be modified in real time or upon reconnection following landing, based on services selected by the traveler. If a real time link is supported, the user’s exchange account may be periodically debited according to the services selected and duration of use.”

*Applicants assert that the passages of Postrel upon which the Examiner has relied to reject paragraph (b) of Claim 1 are silent as to permitting its point issuers to set withdrawal and deposit exchange rates, much less to use such withdrawal rates and deposit rates to reflect the monetary value of the first and secondary points. Further, the undersigned has studied the above passages from Postrel that were relied upon by the Examiner for their alleged disclosure of paragraph (b) of Claim 1, without finding any indication or teaching of the use of point withdrawal and deposit rates. In the Amendment of December 5, 2005, Applicants requested that if the Examiner would persist that the above passages from Postrel disclose point withdrawal and deposit rates as recited in paragraph (b) of Claim 1, applicant respectfully requests the Examiner to identify that the specific language within these passages upon which he relies to support his rejection of paragraph (b) of Claim 1.*

At a second interview of November 7, 2005, SPE Alvarez indicted that paragraph (a) of Claim 1, as reproduced above, was met by the following passages from Postrel:

**(column 3, lines 30-39)** “What is desired therefore, is a system where users may submit frequent flyer awards or credits accumulated for other types of transactions for redemption or translation into a form readily acceptable by a participating merchant. An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user

should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value.”

*Applicants respectfully assert that the above quoted passage does not disclose first and second points that are different from each other and permit the point issuers to set respectively a first withdrawal rate and a second deposit rate, whereby each of the first and second issuers may control the selling and purchase prices of its respective points. By contrast, the object of Postrel is to accumulate points from different issuer servers 10, 13 or 14 and to “pool” them into a database 54, whereby the user is able to purchase a reward whose redemption requires more points. Consideration is given to companies (point issuers) who took part in the “transaction” (apparently pooling) of accumulating the points from the different companies (apparently the issuers/reward servers). Postrel identifies that a single exchange rate determines the consideration provided to the companies involved in the transaction of pooling. By contrast, applicants employ two exchange rates, i.e., the withdrawal rate for its first points and the depositing rate for a second, different points, whereby the first and second issuers may set the value of each of its first and second sets of points. Neither the above quoted passages nor the remainder of Postrel teach that at least two issuers may set the price of its respective withdrawal rates and its deposit rates.*

**(column 7, lines 62-66)** “If for instance, a frequent flyer program supports multiple classifications of miles that may be redeemed differently, the user may optionally define how those resources should be managed during redemption.”

*Applicants assert that the quoted passage discloses that a “frequent flyer program” or point issuer may support multiple classifications of miles and how these miles may be managed during redemption. Postrel does not teach as recited in Claim 1, paragraph b of Applicants’ use*

*of withdrawal and deposit rates to enable issuers to set respectively the monetary value of the first and second points.*

**(column 7, lines 49-54)** “For example, if a user has a preferred air carrier where the user would like to retain mileage in that reward system, the user may specify a priority of use indicating the reward resources that should be exhausted prior to accessing the most desirable rewards. Following the selection of an item to be acquired, the server may contact all of the reward resources according to this profile to selectively redeem each as required to meet the purchase price.”

*Applicants respectfully assert that the above quoted passage does not disclose the subject matter of Claim 1, paragraph (b). This passage discloses the prioritizing of the point issuers whose points may be redeemed before exhausting the most desirable rewards. This profile of issuer selections may be used to selectively access and redeem the points in accordance with this profile. This passage, however, is silent as to enabling a first point issuer to set a deposit rate and a second point issuer to set the withdrawal rate, whereby each issuer is enabled to set the price of its withdrawn and deposit rates.*

**(column 11, lines 61 to Col. 12, line 7)** “The interface would allow a user to login using the frequent flyer account information or preferably, the trading server account login id and password, where the user may use points awarded from another air carrier or point server to “pay” for the services accessed. The account balance from the trading server may be transferred to the local controller prior to takeoff for each user that logs in to the trading server. Once the plane has departed, depending on the linking or access capability afforded by the air carrier or service provider, the user’s account may be modified in real time or upon reconnection following landing, based on services selected by the traveler. If a real time link is supported, the user’s exchange account may be periodically debited according to the services selected and duration of use.”

*Applicants assert that the above passage relates to a system that permits in-flight services to be paid for by redeeming loyalty points from the user’s issuer even when the issuer is another carrier. Provision is made to transfer the user’s account to an onboard local controller prior to takeoff. After takeoff, the user’s account may be debited in flight if there is a suitable link or, after landing, by reconnection. The above passage is not at all relevant to Applicants’*

*use of their withdrawal and deposit exchange rates or to teach the exchanging of first points from a first point issuer to a second user.*

**(column 8, lines 13-26, Figure 9, Step 906)** “The trading server has the ability to receive offers from reward servers or merchants (steps 806 and 808) which may then be directed to users based on the database profile information provided by the user (see FIG. 9). At step 900, the reward server contacts the trading server with an offer to redeem points. Similarly, a merchant may contact the trading server with an offer to be distributed to members (step 902). The trading server records the offer in a database (step 906), and the trading server may record a limited conversion rate in its database (step 906).”

*As shown in Figure 4 of the Postrel Patent, Applicants assert that the above passage of Postrel discloses that a user of his reward servers 10, 12 or 14 sends orders to a trading server 20 and to the merchant 30 to redeem points for a source or devise reward. The above passage discloses that the reward servers 10, 12 or 14 may send orders to the trading server 20 to redeem points, in contrast to Applicant's system which sells points from one reward server to another. Further, Applicants do not disclose any means resembling Postrel's trading server 20, from which a redemption order is sent to a merchant 30 of goods or service rewards. Rather, Applicants redemption order is transmitted from one issuer to a merchant. Further, the above passage fails to disclose a set of first points each with a withdrawal rate, and a set of second points each with a second deposit rate. Though Postrel describes in the above passage a single “limited conversion rate”, he does not describe how it is used to redeem points or how it is similar in any manner to Applicant's deposit or withdrawal rates.*

*Figure 9 of Postrel and the above quote describe generally a process by which a user redeems its points. Step 906, as identified by SPE Alvarez, records a redeeming order before the trading server stores a “limited conversion rate” in its database 52. Postrel is silent as to how to use that stored conversion rate to redeem points, much less as to how points are transferred*

*from one issuer to another in a manner that enables the user of the issuer to control the price at which the points are withdrawing and subsequently depositing, as taught by Applicants.*

**(Column 9, lines 10-20)** “A conversion rate may be applied to the transaction such that the reward server reduces the available rewards in the user’s account. The reward server then transfers consideration to the trading server that corresponds to the value reduced in the reward system. In response to the receipt of the transfer or approval of the transfer, the trading server increments the user account balance to reflect the received consideration and the connection to the reward server is dropped. A transaction log may be used to record each of the transactions in case a reconciliation process is required at a later time. The increase in the user’s exchange account may then be stored until a user finds an item to be purchased.

*Applicants have reviewed with care the Examiner’s Responses to the arguments of Applicants as taken from the February 23, 2006 Office Action herein the Examiner’s 1<sup>st</sup> Response, and from the December 1, 2006 Office Action (herein the Examiner’s 2<sup>nd</sup> Response). The Examiner challenges Applicants’ statement that Postrel does not teach points withdrawal and deposit rates. Further according to the Examiner as shown in Fig. 4, points are withdrawn from one of the reward servers 10, 12 or 14 and deposited at a “conversion or exchange rate” to the user’s reward exchange account 54, whereby the “conversion rate may be applied to the transaction (i.e., the points transferred from one of the reward servers 10, 12 or 14 to the account 54. Thus, the number points as kept in the account 54 is reduced. The Examiner further responds, “that the reward server then transfers consideration to the trading server (20) that corresponds to the value reduced in the reward system. In response to the receipt of the transfer or approval of the transfer, the trading server (20) increments the user account balance to reflect the received consideration and the connection to the reward server is dropped.”*

*The above paragraph has sought to describe the Examiner’s basis for believing that Postrel discloses the withdrawal and deposit rates. It is Applicants’ understanding that Postrel withdraws points from one of the point issuers or reward servers 10, 12 and 14, before being*

deposited at the "conversion or exchange rate" into a user's reward exchange account 54, whereby points are redeemed to provide consideration for reward services and/or goods. Applicants respectfully assert that Postrel's "conversion or exchange rate" is significantly different from Applicants' "withdrawal rate" and "deposit rate." First, Applicants disclose and recite two different rates, that functionally differ from Postrel's one "conversion or exchange" rate. Indeed, the Examiner describes his "conversion or exchange" rate in terms of depositing points at an "exchange or conversion rate" from one of the reward server's 10, 12 or 14 into the reward exchange account 54, thus permitting points to be redeemed for rewards. On the other hand, Applicants contemplate that on administration of a reward server 10, 12 or 14 uses the withdrawal rate to set the price at which the one reward server sells its points to another of the reward server. The reward server administrator also sets the deposit rate to determine the price at which the other reward server administrator buys points from the one reward server. Thus the functionality of applicants' withdrawal and deposit rates are significantly different from the operation of Postrels' "conversion or exchange rates." In particular, the "exchange or conversion rate" of Postrel facilitates the redemption of rewards, while Applicants' withdrawal rate and deposit rate set respectively the price at which the one reward server sells its points and the other reward server buys points.

The Examiner at column 11, line 60 to column 12, line 6 "teaches that users may use points from another air carrier or points (reward) server to pay for first airline carrier services" and that the quoted teaching provides a rational basis for the "exchange of points from one point issuer to another." Postrel discloses that an interface allows a user to login to the trading server 20, whereby the user can access points awarded from "another air carrier or point server" 10, 12 or 14. In turn, these points are loaded into the trading server 20, whereby the

*balance held in the trading server 20 may be redeemed to pay for the services, e.g., video games, that are offered on flights. This embodiment functions similarly to the embodiment described above, whereby points from a reward server 10, 12 or 14 are redeemed to provide rewards of goods or services, i.e., the video games provided to users in flight. In particular, Applicants respectfully assert that the points issued by an air carrier or point or reward server 10, 12 or 14 are not exchanged to another point issuer, but rather to the trading server 20 of Postrel.*

*In the Examiner's 1<sup>st</sup> Response, he asserts that Postrel's "conversion rate" differs from Postrel's "exchange rate", and that these different rates correspond to Applicants' "withdrawal rate" and "deposit rate," respectively. On the other hand, the Examiner inconsistently uses the terms "conversion" and "exchange" interchangeably. For example, the Examiner states (see page 7, line 21 et seq.) that the points withdrawn "from a user's reward server account (sic) 10, 12 or 14 and depositing said points into a user's exchange account (54) at a "conversion or exchange rate" (emphasis added). At this instance, the Examiner clearly indicated that there is only a single transaction, i.e., the transfer of points into the account 54 that is carried out at a single rate. This transaction as referred to by the Examiner as either the withdrawal rate or the exchange rate. It is respectfully asserted that the Examiner has used these terms inconsistently in a single paragraph.*

*The Examiner relies on Postrel's col 5, l 60 et seq. for a teaching of the buying and selling of points. However the buying and selling described at this passage of Postrel is not the selling of points from a first reward server 10, 12 or 14 or the buying of point from the other server. Rather, this passage refers to the reward servers 10, 12 or 14, each of which can sell points and then subsequently repurchase these points from a third party at a reduced rate. The transaction is significantly different from Applicants' withdrawing (selling) points from a first*

*reward server as point issuer to another issuer, and subsequent depositing (or buying) points in the other points issuer. Applicants' respectfully assert that Postrel does not teach that the exchange and conversion rate is a single rate or how to control one point issuer's selling price by the use of its withdrawal rate or the buying price of another point issuer by the use of its deposit rate. Applicants further traverse the Examiners' rational that because Postrel may teach "the selling and buying of points, it does not follow that Postrel teaches that the point issuers or reward servers control the buying and selling of points, much less that points issuers have control of the exchange and conversion rate of their points.*

(c) determining a second number of the second points based upon the point withdrawal rate of the first points issuer, the deposit rate of the second points issuer and the first number of the first points; and

**(see column 4, lines 3-45)** "A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the use has reward points. The reward server computer decreases the user's reward point account by the requested number of reward points. The reward server computer conveys consideration to the trading server computer, where the consideration corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading server computer confirms that the user's reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional points in the event that his account does not contain the requisite number of points for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the

user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are exhausted. After redemption the consideration is transferred to the respective merchant.”

**(column 3, lines 35-45)** “An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value. In another embodiment, the award program looking to reduce frequent flyer liabilities may contact users and arrange for a transfer of the reward miles into a value (which may be predetermined) to be credited to the trading system reward. Alternatively, the points may be bid for in an auction environment where points may be used to bid for certain awards.”

**(column 5, lines 35-40)** “The rewarding entities may be any type of entity that has a service for allocating points or consideration for user actions. The reward server computers **10, 12, 14** may be of any type of accessible server capable of holding data about a user along with a corresponding earned value that is negotiable for other goods, services, or points of another system.”

**(column 6, lines 37-47)** “The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in “frequent flyer” point or mile. The reward server computer **10** conveys consideration to the trading server computer **20** where the consideration corresponds to the number or reward points decreased in the user’s account **52** on the reward server **10** (step **616**). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month).”

**(column 7, lines 35-40)** “The trading server computer **20** conveys consideration to the merchant computer **30** equivalent to the cost of the item by means well known in the art of electronic commerce (e.g. by a preexisting account, credit card, etc.) (steps **716, 718**). In the alternative, the consideration may be a direct transfer of points to an account associated with the merchant. The merchant then completes the transaction at step **720**, for example by delivering the purchased item.”

**(column 7, lines 63-67)** “If for instance, a frequent flyer program supports multiple classifications of miles that may be redeemed differently, the user may optionally define how those resources should be managed during redemption.”

*The undersigned has carefully studied each of the above passages of Postrel and has found no teaching of determining an equivalent number of second points that are sold by the first point issuers and purchased by the second point issuers. Further, the above passages do not disclose the determining of the equivalent number based upon the withdrawal and deposit rates of the first and second points respectively and the number of the first points. If the Examiner persists in his rejection of determining the second equivalent number as a function of the withdrawal and deposit rates, he is requested to identify by lines in the above passages where such disclosures may be found. If the Examiner is unable to point out such teaching, he is requested to withdraw his rejection of paragraph c of Claim 1.*

and

(d) exchanging the first number of the first points from the first point issuer to the second point issuer.

The Examiner asserts that, “Postrel teaches the use of points from one airline issuer to another different airline carrier point issuer”.

**(see column 4, lines 3-45)** “A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the user has reward points. The reward server computer decreases the user’s reward point account by the requested number of reward points. The reward server computer conveys consideration to the trading server computer, where the consideration corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading server computer confirms that the user’s reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional

points in the event that his account does not contain the requisite number of points for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are exhausted. After redemption the consideration is transferred to the respective merchant.”

**(column 3, lines 35-45)** “An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value. In another embodiment, the award program looking to reduce frequent flyer liabilities may contact users and arrange for a transfer of the reward miles into a value (which may be predetermined) to be credited to the trading system reward. Alternatively, the points may be bid for in an auction environment where points may be used to bid for certain awards.”

**(column 5, lines 35-40)** “The rewarding entities may be any type of entity that has a service for allocating points or consideration for user actions. The reward server computers **10, 12, 14** may be of any type of accessible server capable of holding data about a user along with a corresponding earned value that is negotiable for other goods, services, or points of another system.”

**(column 6, lines 37-47)** “The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in “frequent flyer” point or mile. The reward server computer **10** conveys consideration to the trading server computer **20** where the consideration corresponds to the number or reward points decreased in the user’s account **52** on the reward server **10** (step **616**). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month).”

**(column 10-12)**

**(column 15-20)**

**(column 11, line 60 – column 12, line 8)** “The interface would allow a user to login using the frequent flyer account information or preferably, the trading server

account login id and password, where the user may use points awarded from another air carrier or point server to 'pay' for the services accessed. The account balance from the trading server may be transferred to the local controller prior to takeoff for each user that logs in to the trading server. Once the plane has departed, depending on the linking or access capability afforded by the air carrier or service provided, the user's account may be modified in real time or upon reconnection following landing, based on services selected by the traveler. If a real time link is supported, the user's exchange account may be periodically debited according to the services selected and duration of use."

**Abstract:** "A system and method for operating a reward points accumulation and redemption program wherein a user earns reward points from a plurality of independent reward points issuing entities, with each tracking the user's earned reward points in a user reward point account stored on a rewards server (such as a frequent flyer account or a credit card loyalty account). On selective request by the user, a trading server accumulates some or all of the user's earned reward points from the reward servers and credits the accumulated points into a single reward exchange account associated with the user. The user may then select an item for purchase with the accumulated reward points. The item is provided to the user in exchange for a subset or all of the reward points.

## CLAIM 2

**Applicants traverse the Examiner's holding that the passages below of Postrel teach**

### Claim 2:

2. The method of point exchanging as claimed in claim 1, wherein said step c) of determining an equivalent number of the second points comprises the substeps of:

(i) determining the monetary value of the first number of first points as the product of the first number of first points and the point withdrawal rate of the first point sponsor

**(see column 9, lines 10-15)** "A conversion rate may be applied to the transaction such that the reward server reduces the available rewards in the user's account. The reward server then transfers consideration to the trading server that corresponds to the value reduced in the reward system."

**(column 10, lines 15-30)** "The user can purchase points from the system, borrow points from the system, etc., and basically treat the points as cash consideration for purposes of such transactions. The system can prioritize the order of points being traded based on a predetermined set of rules such as in higher value points being issued before those with a lower value. Merchandisers also benefit from the use of this system where another marketing channel is afforded for products that

are often purchased by frequent travelers with high disposable income. Products and services encompassing jewelry, flowers, limousine transport, timeshare rental may be exchangeable for points stored in this system. Items purchased through the system may also be paid for by a combination of points and currency which might be the case when a user does not have enough accrued points to meet the purchase consideration of an item selected.”

*Applicants respectfully traverse and request reconsideration of the Examiner’s holding that Postrel teaches the determining of the monetary value of the first number of first points as the product of the first number and the point withdrawal rate of the first point issuers, and the equivalent number of the second points as the quotient of the monetary value of the first number of first points divided by the point depositing rate of the second user. If the Examiner can not withdraw his rejection of claim 2, he is requested to identify for the undersigned the column and lines at which such teaching occurs.*

and

(ii) determining the equivalent number of the second points as the quotient of the monetary value of the first number of first points divided by the point depositing rate of the second point sponsor

**(see column 9, lines 10-15)** “A conversion rate may be applied to the transaction such that the reward server reduces the available rewards in the user’s account. The reward server then transfers consideration to the trading server that corresponds to the value reduced in the reward system.”

**(column 10, lines 15-30)** “The user can purchase points from the system, borrow points from the system, etc., and basically treat the points as cash consideration for purposes of such transactions. The system can prioritize the order of points being traded based on a predetermined set of rules such as in higher value points being issued before those with a lower value. Merchandisers also benefit from the use of this system where another marketing channel is afforded for products that are often purchased by frequent travelers with high disposable income. Products and services encompassing jewelry, flowers, limousine transport, timeshare rental may be exchangeable for points stored in this system. Items purchased through the system may also be paid for by a combination of points and currency which might be the case when a user does not have enough accrued points to meet the purchase consideration of an item selected.”

### CLAIM 3

**Applicant traverses that the Examiner's holding that the passages noted below of Postrel teach Claim 3:**

3. A system for exchanging first points held by a customer for second points, the first points issued by a first point issuer differing from the second points that are issued by a second point issuer, said point exchange system comprising:

(a) a first terminal having a first terminal database for storing an account of the customer's first points

**(see figures 4 and 5);**

(b) a second terminal having a second central database memory for storing an account of the customer's second points

**(see figures 4 and 5); and**

(c) a transaction center having a center input and a central computer programmed to:

(i) the customer setting via said center input a first number of first points to be exchanged

**(see figure 4, item 20);**

(ii) the first and second point issuers setting the point withdrawal and deposit rates of their first and second points respectively

**(column 3, lines 35-55)** "An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value. In another embodiment, the award program looking to reduce frequent flyer liabilities may contact users and arrange for a transfer of the reward miles into a value (which may be predetermined) to be credited to the trading system reward. Alternatively, the points may be bid for in an auction environment where points may be used to bid

for certain awards. A user who has earned frequent flyer miles or rewards on several sites insufficient to receive any direct value for their mileage may be able to pool the miles acquired from several different air carriers to transfer the awards accumulated to the system of this invention. The user may have the selected items delivered to the user by performing a purchase request by various means such as over the Internet, dialing a toll free number for placing an order, or any other means of placing an order that will accept payment from this system.”

**(column 6, lines 37-67)** “The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in “frequent flyer” point or mile. The reward server computer 10 conveys consideration to the trading server computer 20 where the consideration corresponds to the number or reward points decreased in the user’s account 52 on the reward server 10 (step 616). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month). The trading server computer 20 increases the reward exchange account 54 associated with the user by the received number of points step 620). The trading server computer 20 in turn, receives the consideration from the reward server computer 10 (step 618). Similar communications are made between the trading server 20 and the credit card reward server 12, as indicated by the data communications 120 made by the trading server 20 to the credit card reward server 12 and the data communications 124 made by the credit card reward server 12 to the trading server 20. Likewise, communications are made between the trading server 20 and the marketing reward server 14, as indicated by the data communications 130 made by the trading server 20 to the marketing reward server 14 and the data communications 134 made by the marketing reward server 14 to the trading server 20. In each case, the trading server 20 increases the user’s reward exchange account 54 by the received number of points from the credit card reward server 12 and the marketing reward server 14, respectively.”

**(column 7, lines 37-40)** “The trading server computer 20 conveys consideration to the merchant computer 30 equivalent to the cost of the item by means well known in the art of electronic commerce (e.g. by a preexisting account, credit card, etc.) (steps 716, 718). In the alternative, the consideration may be a direct transfer of points to an account associated with the merchant. The merchant then completes the transaction at step 720, for example by delivering the purchased item.”

**(column 9, lines 10-12)** “A conversion rate may be applied to the transaction such that the reward server reduces the available rewards in the user’s account. The reward server then transfers consideration to the trading server that corresponds to the value reduced in the reward system.”

**(column 10, lines 15-20)** “ The user can purchase points from the system, etc., and basically treat the points as cash consideration for purposes of such transactions. The system can prioritize the order of points being traded based on a

predetermined set of rules such as in higher value points being issued before those with a lower value.”

(iii) determining an equivalent number of the second points based upon the point

withdrawal and deposit rates of the first and second point issuers respectively, and the first number of the first points:

**(column 3, lines 35-55)** “An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value. In another embodiment, the award program looking to reduce frequent flyer liabilities may contact users and arrange for a transfer of the reward miles into a value (which may be predetermined) to be credited to the trading system reward. Alternatively, the points may be bid for in an auction environment where points may be used to bid for certain awards. A user who has earned frequent flyer miles or rewards on several sites insufficient to receive any direct value for their mileage may be able to pool the miles acquired from several different air carriers to transfer the awards accumulated to the system of this invention. The user may have the selected items delivered to the user by performing a purchase request by various means such as over the Internet, dialing a toll free number for placing an order, or any other means of placing an order that will accept payment from this system.”

**(column 6, lines 37-67)** “The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in “frequent flyer” point or mile. The reward server computer 10 conveys consideration to the trading server computer 20 where the consideration corresponds to the number or reward points decreased in the user’s account 52 on the reward server 10 (step 616). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month). The trading server computer 20 increases the reward exchange account 54 associated with the user by the received number of points step 620). The trading server computer 20 in turn, receives the consideration from the reward server computer 10 (step 618). Similar communications are made between the trading server 20 and the credit card reward server 12, as indicated by the data communications 120 made by the trading server 20 to the credit card reward server 12 and the data communications 124 made by the credit card reward server 12 to the trading server 20. Likewise, communications are made between the trading server 20 and the marketing reward server 14, as indicated by the data communications 130 made by the trading server 20 to the marketing reward server 14 and the data communications 134 made by the marketing reward server 14 to the trading server 20. In each case, the trading server 20 increases the user’s reward exchange account 54 by the

received number of points from the credit card reward server 12 and the marketing reward server 14, respectively.”

**(column 7, lines 37-40)** “The trading server computer 20 conveys consideration to the merchant computer 30 equivalent to the cost of the item by means well known in the art of electronic commerce (e.g. by a preexisting account, credit card, etc.) (steps 716, 718). In the alternative, the consideration may be a direct transfer of points to an account associated with the merchant. The merchant then completes the transaction at step 720, for example by delivering the purchased item.”

**(column 9, lines 10-12)** “A conversion rate may be applied to the transaction such that the reward server reduces the available rewards in the user’s account. The reward server then transfers consideration to the trading server that corresponds to the value reduced in the reward system.”

**(column 10, lines 15-20)** “The user can purchase points from the system, borrow points from the system, etc., and basically treat the points as cash consideration for purposes of such transactions.

The system can prioritize the order of points being traded based on a predetermined set of rules such as in higher value points being issued before those with a lower value.”

and

(iv) providing respectively to said first and second terminals a first transaction

message to withdraw the first number of first points from said first terminal database and to

deposit the equivalent number of second points in said second terminal database

**(column 3, lines 35-55)** “An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value. In another embodiment, the award program looking to reduce frequent flyer liabilities may contact users and arrange for a transfer of the reward miles into a value (which may be predetermined) to be credited to the trading system reward. Alternatively, the points may be bid for in an auction environment where points may be used to bid for certain awards. A user who has earned frequent flyer miles or rewards on several sites insufficient to receive any direct value for their mileage may be able to pool the miles acquired from several different air carriers to transfer the awards accumulated to the system of this invention. The user may have the selected items delivered to the user by performing a purchase request by various means

such as over the Internet, dialing a toll free number for placing an order, or any other means of placing an order that will accept payment from this system.”

**(column 6, lines 37-67)** “The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in “frequent flyer” point or mile. The reward server computer 10 conveys consideration to the trading server computer 20 where the consideration corresponds to the number or reward points decreased in the user’s account 52 on the reward server 10 (step 616). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month). The trading server computer 20 increases the reward exchange account 54 associated with the user by the received number of points step 620). The trading server computer 20 in turn, receives the consideration from the reward server computer 10 (step 618). Similar communications are made between the trading server 20 and the credit card reward server 12, as indicated by the data communications 120 made by the trading server 20 to the credit card reward server 12 and the data communications 124 made by the credit card reward server 12 to the trading server 20. Likewise, communications are made between the trading server 20 and the marketing reward server 14, as indicated by the data communications 130 made by the trading server 20 to the marketing reward server 14 and the data communications 134 made by the marketing reward server 14 to the trading server 20. In each case, the trading server 20 increases the user’s reward exchange account 54 by the received number of points from the credit card reward server 12 and the marketing reward server 14, respectively.”

**(column 7, lines 37-40)** “In the alternative, the consideration may be a direct transfer of points to an account associated with the merchant. The merchant then completes the transaction at step 720, for example by delivering the purchased item.”

**(column 9, lines 10-12)** “A conversion rate may be applied to the transaction such that the reward server reduces the available rewards in the user’s account. The reward server then transfers consideration to the trading server that corresponds to the value reduced in the reward system.”

**(column 10, lines 15-20)** “The user can purchase points from the system, borrow points from the system, etc., and basically treat the points as cash consideration for purposes of such transactions.

The system can prioritize the order of points being traded based on a predetermined set of rules such as in higher value points being issued before those with a lower value.”

*Applicants respectfully traverse, for reasons similar to those stated above with respect to Claim 1, and request reconsideration of the Examiner’s statement that the Postrel Patent teaches*

*that the first and second point issuers set respectively the point withdrawal and deposit rates.*

*Further, Applicants respectfully traverse and request reconsideration of the Examiner's assertion that the Postrel Patent teaches the determining of an equivalent number of the second points based upon the point withdrawal and deposit rates of the first and second point issuers as recited in step (iii) of paragraph (c) of Claim 3.*

#### CLAIM 4

**Applicant traverses the Examiner's holding that the passages below of Postrel teach**

##### **Claim 4:**

4. The program managing system as claimed in claim 3, wherein said transaction center further responds to a customer's order to convert the first number of first points into an equivalent second number of second points and to deposit the second number of second points in said second database of said second terminal

**(column 3, lines 35-55)** "An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value. In another embodiment, the award program looking to reduce frequent flyer liabilities may contact users and arrange for a transfer of the reward miles into a value (which may be predetermined) to be credited to the trading system reward. Alternatively, the points may be bid for in an auction environment where points may be used to bid for certain awards. A user who has earned frequent flyer miles or rewards on several sites insufficient to receive any direct value for their mileage may be able to pool the miles acquired from several different air carriers to transfer the awards accumulated to the system of this invention. The user may have the selected items delivered to the user by performing a purchase request by various means such as over the Internet, dialing a toll free number for placing an order, or any other means of placing an order that will accept payment from this system."

**(column 6, lines 37-67)** "The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in "frequent flyer" point or mile. The reward server computer 10 conveys consideration to the trading server computer 20 where the consideration corresponds to the number or reward points decreased in the user's account 52 on the reward server 10 (step 616). For

example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month). The trading server computer 20 increases the reward exchange account 54 associated with the user by the received number of points step 620). The trading server computer 20 in turn, receives the consideration from the reward server computer 10 (step 618). Similar communications are made between the trading server 20 and the credit card reward server 12, as indicated by the data communications 120 made by the trading server 20 to the credit card reward server 12 and the data communications 124 made by the credit card reward server 12 to the trading server 20. Likewise, communications are made between the trading server 20 and the marketing reward server 14, as indicated by the data communications 130 made by the trading server 20 to the marketing reward server 14 and the data communications 134 made by the marketing reward server 14 to the trading server 20. In each case, the trading server 20 increases the user's reward exchange account 54 by the received number of points from the credit card reward server 12 and the marketing reward server 14, respectively."

(column 7, lines 37-40) "The trading server computer 20 conveys consideration to the merchant computer 30 equivalent to the cost of the item by means well known in the art of electronic commerce (e.g. by a preexisting account, credit card, etc.) (steps 716, 718). In the alternative, the consideration may be a direct transfer of points to an account associated with the merchant. The merchant then completes the transaction at step 720, for example by delivering the purchased item."

(column 9, lines 10-12) "A conversion rate may be applied to the transaction such that the reward server reduces the available rewards in the user's account. The reward server then transfers consideration to the trading server that corresponds to the value reduced in the reward system."

(column 10, lines 15-20) "The user can purchase points from the system, etc., and basically treat the points as cash consideration for purposes of such transactions.

The system can prioritize the order of points being traded based on a predetermined set of rules such as in higher value points being issued before those with a lower value."

*Applicants respectfully traverse, for reasons similar to those stated above with respect to*

*Claim 3, and request reconsideration of the Examiner's statement that Postrel teaches that the transaction responds to a customer's order to convert the first number of first points into an equivalent second number of the second points and to deposit the second number of second*

*points in second database of the second terminal. Further, Applicants respectfully traverse and request reconsideration of the Examiner's assertion that Postrel teaches the recited transaction center and second database of the second terminal.*

### **CLAIM 13**

**Applicants Traverse the Examiner's holding that the passages of Postrel below teach Claim 13:**

13. A method of exchanging first points that are issued by a first point issuer for second, different points that are issued by a second point issuer at exchange rates set by the first and second point issuers respectively, said points exchanging method is implemented by a computer programmed to effect the following steps of

*Applicants respectfully assert that the Postrel Patent discloses none of the following recitations of Claim 13 of the Postrel Patent: the preamble, paragraph (a), paragraph (c) and paragraph (d). In particular, Applicants respectfully traverse and request reconsideration of the Examiner's assertion that Postrel teaches the following recitations of Applicants: 1) the preamble of Applicant's claim 13 reciting "A method of exchanging first points that are issued by a first point issuer for second, different points that are issued by a second point issuer at exchange rates set by the first and second point issuers respectively;" and the 2) paragraph reciting "(a) entering the "first and second exchange rates by the first and second point issuers respectively."*

(a) entering first and second exchange rates by the first and second point issuers respectively

(see column 3, line 35 – column 4, line 45) "An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value

may be used by a user of the system to acquire items of equivalent value. In another embodiment, the award program looking to reduce frequent flyer liabilities may contact users and arrange for a transfer of the reward miles into a value (which may be predetermined) to be credited to the trading system reward. Alternatively, the points may be bid for in an auction environment where points may be used to bid for certain awards. A user who has earned frequent flyer miles or rewards on several sites insufficient to receive any direct value for their mileage may be able to pool the miles acquired from several different air carriers to transfer the awards accumulated to the system of this invention. The user may have the selected items delivered to the user by performing a purchase request by various means such as over the Internet, dialing a toll free number for placing an order, or any other means of placing an order that will accept payment from this system.

### SUMMARY OF THE INVENTION

This invention allows a user to purchase goods or services using accumulated award points held by a variety of award programs. A frequent flyer program is typical of the systems to be encompassed by this invention. Tie-in promotions have been introduced over the past several years that have allowed purchases for goods and services such as hotel or car rentals to accumulate award miles that are then recorded on the airline award system. More recently credit card companies offer cards where a mile award is made for every dollar spent using that credit card. These cards may additionally award bonus miles in coordination with user purchases of preferred products.

A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the user has reward points. The reward server computer conveys consideration to the trading server computer, where the consideration corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading server computer confirms that the user's reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional points in the event that his account does not contain the requisite number of points for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points

corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are exhausted. After redemption the consideration is transferred to the respective merchant.”

**(column 6, lines 37-67)** “The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in “frequent flyer” point or mile. The reward server computer 10 conveys consideration to the trading server computer 20 where the consideration corresponds to the number or reward points decreased in the user’s account 52 on the reward server 10 (step 616). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month). The trading server computer 20 increases the reward exchange account 54 associated with the user by the received number of points step 620). The trading server computer 20 in turn, receives the consideration from the reward server computer 10 (step 618). Similar communications are made between the trading server 20 and the credit card reward server 12, as indicated by the data communications 120 made by the trading server 20 to the credit card reward server 12 and the data communications 124 made by the credit card reward server 12 to the trading server 20. Likewise, communications are made between the trading server 20 and the marketing reward server 14, as indicated by the data communications 130 made by the trading server 20 to the marketing reward server 14 and the data communications 134 made by the marketing reward server 14 to the trading server 20. In each case, the trading server 20 increases the user’s reward exchange account 54 by the received number of points from the credit card reward server 12 and the marketing reward server 14, respectively.”

**(column 10, lines 15-20)** “The user can purchase points from the system, etc., and basically treat the points as cash consideration for purposes of such transactions.

The system can prioritize the order of points being traded based on a predetermined set of rules such as in higher value points being issued before those with a lower value.”

*Applicants respectfully assert that by contrast to Applicants’ invention, the Postrel Patent discloses in its Figure 4 a plurality of reward servers 10, 12 and 14, each of which serves as an issuer of points. Even so, the Postrel Patent fails to disclose that each of the reward*

*servers or issuers 10, 12 and 14 is able to issue different points with different exchange rates as set by each of the issuers 10, 12 and 14. The undersigned has carefully considered those passages of the Postrel Patent set out above, upon which the Examiner has relied on for his characterization of the preamble and paragraph (a) of Claim 13. The most relevant portion of the Postrel Patent as identified by the Examiner is found at column 10, lines 18-20, which reads: “(t)he system can prioritize the order of points being traded based on a predetermined set of rules such as in higher value points being issued before those with a lower value.” This single cited sentence does not teach whether the referred to values are being used as exchange rates, much less that these withdrawal and deposit rates are being set by the respective first and second issuers from which the points are issued.*

(b) entering a customer's order for exchanging first points for second points

**(see column 3, line 33 – column 4, line 45)** “An exchange rate will be established for the relative consideration received by the companies involved in the transaction. A user should be able to pool the various earned rewards that may exist in currently separate server systems where the resulting combined value may be used by a user of the system to acquire items of equivalent value. In another embodiment, the award program looking to reduce frequent flyer liabilities may contact users and arrange for a transfer of the reward miles into a value (which may be predetermined) to be credited to the trading system reward. Alternatively, the points may be bid for in an auction environment where points may be used to bid for certain awards. A user who has earned frequent flyer miles or rewards on several sites insufficient to receive any direct value for their mileage may be able to pool the miles acquired from several different air carriers to transfer the awards accumulated to the system of this invention. The user may have the selected items delivered to the user by performing a purchase request by various means such as over the Internet, dialing a toll free number for placing an order, or any other means of placing an order that will accept payment from this system.

## SUMMARY OF THE INVENTION

This invention allows a user to purchase goods or services using accumulated award points held by a variety of award programs. A frequent flyer program is typical of the systems to be encompassed by this invention. Tie-in promotions

have been introduced over the past several years that have allowed purchases for goods and services such as hotel or car rentals to accumulate award miles that are then recorded on the airline award system. More recently credit card companies offer cards where a mile award is made for every dollar spent using that credit card. These cards may additionally award bonus miles in coordination with user purchases of preferred products.

A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the user has reward points. The reward server computer conveys consideration to the trading server computer, where the consideration corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading server computer confirms that the user's reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional points in the event that his account does not contain the requisite number of points for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are exhausted. After redemption the consideration is transferred to the respective merchant."

**(column 5, lines 60-65)** "The present invention allows issuers who originally sold reward points in their program for use as an incentive by third parties to repurchase points at a substantial discount, thereby reducing their liability and allowing for a trading strategy that enables points to continually be sold and repurchased. This may be a separate accounting procedure than what is used for points that are granted."

**(column 6, lines 37-67)** "The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in "frequent flyer" point or mile.

The reward server computer **10** conveys consideration to the trading server computer **20** where the consideration corresponds to the number of reward points decreased in the user's account **52** on the reward server **10** (step **616**). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month). The trading server computer **20** increases the reward exchange account **54** associated with the user by the received number of points step **620**). The trading server computer **20** in turn, receives the consideration from the reward server computer **10** (step **618**). Similar communications are made between the trading server **20** and the credit card reward server **12**, as indicated by the data communications **120** made by the trading server **20** to the credit card reward server **12** and the data communications **124** made by the credit card reward server **12** to the trading server **20**. Likewise, communications are made between the trading server **20** and the marketing reward server **14**, as indicated by the data communications **130** made by the trading server **20** to the marketing reward server **14** and the data communications **134** made by the marketing reward server **14** to the trading server **20**. In each case, the trading server **20** increases the user's reward exchange account **54** by the received number of points from the credit card reward server **12** and the marketing reward server **14**, respectively."

**(column 9, lines 5-20)** "The processor of the reward server may perform actions that may allow or refuse the requested action. In another embodiment, the trading server processor may be granted direct authorization to modify the user's records in the reward server database without analysis by the processor of the reward server. A conversion rate may be applied to the transaction such that the reward server reduces the available rewards in the user's account. The reward server then transfers consideration to the trading server that corresponds to the value reduced in the reward system. In response to the receipt of the transfer or approval of the transfer, the trading server increments the user account balance to reflect the received consideration and the connection to the reward server is dropped. A transaction log may be used to record each of the transactions in case a reconciliation process is required at a later time. The increase in the user's exchange account may then be stored until a user finds an item to be purchased."

**(column 10, lines 15-20)** "The user can purchase points from the system, etc., and basically treat the points as cash consideration for purposes of such transactions.

The system can prioritize the order of points being traded based on a predetermined set of rules such as in higher value points being issued before those with a lower value."

(c) determining the presence or absence of each of the first and second exchange

rates

(see column 4, lines 1-45) “A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the use has reward points. The reward server computer decreases the user’s reward point account by the requested number of reward points. The reward server computer conveys consideration to the trading server computer, where the consideration corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading server computer confirms that the user’s reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional points in the event that his account does not contain the requisite number of points for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are exhausted. After redemption the consideration is transferred to the respective merchant.”

and

(d) blocking the exchange of points in the absence of either of the first or second exchange rates

(column 4, lines 1-45) “A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the use has reward points. The reward server computer decreases the user’s reward point account by the requested number of reward points. The reward server computer conveys consideration to the trading server computer, where the consideration

corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading server computer confirms that the user's reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional points in the event that his account does not contain the requisite number of points for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are exhausted. After redemption the consideration is transferred to the respective merchant."

**(column 9, lines 5-7)** "The processor of the reward server may perform actions that may allow or refuse the requested action."

## CLAIM 14

**Applicants traverse the Examiner's holding that the passages of Postrel below teach Claim 14.**

14. A system for facilitating the exchange of points from or to a selected one of a plurality of point programs at exchange rates set by a proprietor of the selected one point program, said system comprising:

*For the reasons set out in detail with respect to Claim 1, paragraph b, the undersigned asserts that **Postrel does not disclose** a system that is capable of exchanging points from or to a selected one of a plurality of point programs at exchange rates set by the a proprietor of the selected one program. As explained in detail with respect to claim 1, paragraph d, Postrel does not exchange points to a "point program." i.e., any one of the reward servers 10, 12 or 14.*

(a) at least one terminal associated with the selected one point program and comprising a terminal input, a terminal database and a terminal server programmed to:

(i) respond to a customer command to withdraw for and/or deposit points into said terminal

**(see column 6, lines 1-52)** "The method of allowing the user to redeem the accumulated reward points from one or more of a plurality of reward entities will now be described with respect to FIG. 4 and the data flow diagram of FIG. 6. The trading server system would allow users to "log in" to access the functionality provided where the user may interact with applications, forms or controls. For example, the user may view his account information by using a web browser to enter the appropriate identification and then select buttons, links or other selectable objects to navigate to the part of the system desired. If the user does not yet have an account (step 602), then the user may be enrolled per the flow diagram of FIG. 8 (step 604) as discussed below. The user, from the user computer, makes a request to the trading server 20 via a communications flow 102 step 600), requesting redemption through the network 2 for a portion of the pre-accumulated reward points stored for the user in one of the rewarding entities. A user's reward point account 52 is associated with each of the reward servers but is only shown in FIG. 4 connected to the airline server for sake of clarity.

Communications are made by the trading server 20 to the user computer 40 via communications data flows 104. The user may interactively select rewards to be redeemed, or the system may determine which rewards are to be redeemed based on a previously defined user profile rule (step 606). The trading server computer 20 “obtains” the reward points from a reward server 10, 12 or 14 stored in the user’s account 52 by contacting the appropriate reward server via communication flow 110 (step 608) according to the user’s requirements, by using the connection parameters as identified in a database 54 on the trading server as shown in FIG. 5. In one embodiment, the trading server retrieves reward point account balance information via communications flow 114 (step 610) from the reward server for the user. In another embodiment, the trading server transfers as part of the communication 110, the requested reward mileage to be redeemed (step 612). The reward server computer 10 decreases the user’s reward point account 52 by the requested number of reward points (step 614). The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in “frequent flyer” point or mile. The reward server computer 10 conveys consideration to the trading server computer 20 where the consideration corresponds to the number or reward points decreased in the user’s account 52 on the reward server 10 (step 616). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month). The trading server computer 20 increases the reward exchange account 54 associated with the user by the received number of points step 620). The trading server computer 20 in turn, receives the consideration from the reward server computer 10 (step 618).”

*The undersigned has studied carefully the passage (column 6, lines 1-52) without finding a disclosure of a terminal associated with one of the point programs to respond to a command from a customer or a user to cause the point program terminal to withdraw or to deposit points from or to the terminal.*

(ii) the point program proprietor entering and storing in said terminal database of exchange rates for the points of the selected one loyalty program

(see column 6, lines 1-25) “The method of allowing the user to redeem the accumulated reward points from one or more of a plurality of reward entities will now be described with respect to FIG. 4 and the data flow diagram of FIG. 6. The trading server system would allow users to “log in” to access the functionality provided where the user may interact with applications, forms or controls. For example, the user may view his account information by using a web browser to enter the appropriate identification and then select buttons, links or other selectable objects to navigate to the part of the system desired. If the user does not yet have an account (step 602), then the user may be enrolled per the flow

diagram of FIG. 8 (step 604) as discussed below. The user, from the user computer, makes a request to the trading server 20 via a communications flow 102 (step 600), requesting redemption through the network 2 for a portion of the pre-accumulated reward points stored for the user in one of the rewarding entities. A user's reward point account 52 is associated with each of the reward servers but is only shown in FIG. 4 connected to the airline server for sake of clarity. Communications are made by the trading server 20 to the user computer 40 via communications data flows 104. The user may interactively select rewards to be redeemed, or the system may determine which rewards are to be redeemed based on a previously defined user profile rule (step 606)."

and

(iii) detect the absence of the exchange rates for the selected one point program to transmit a blocking signal

(see column 4, lines 1-45) "A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the use has reward points. The reward server computer decreases the user's reward point account by the requested number of reward points. The reward server computer conveys consideration to the trading server computer, where the consideration corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading server computer confirms that the user's reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional points in the event that his account does not contain the requisite number of points for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are

exhausted. After redemption the consideration is transferred to the respective merchant.”

*The undersigned has carefully studied the above passage (Column 4, lines 1-45) without finding a disclosure of the step for determining the absence of the exchange rate for a selected point program and , in response to detecting the absence of the exchange rates, to transmit a blocking signal.*

and

(b) a transaction center coupled by a data transmission path to said one terminal and comprising a center input and a center server programmed to:

(i) respond to customer input on said center input for transmitting via the data transmission path to said one terminal the command whereby points are withdrawn and/or deposited into the point program associated with said one terminal

**(see column 6, lines 1-55)** “The method of allowing the user to redeem the accumulated reward points from one or more of a plurality of reward entities will now be described with respect to FIG. 4 and the data flow diagram of FIG. 6. The trading server system would allow users to “log in” to access the functionality provided where the user may interact with applications, forms or controls. For example, the user may view his account information by using a web browser to enter the appropriate identification and then select buttons, links or other selectable objects to navigate to the part of the system desired. If the user does not yet have an account (step 602), then the user may be enrolled per the flow diagram of FIG. 8 (step 604) as discussed below. The user, from the user computer, makes a request to the trading server 20 via a communications flow 102 (step 600), requesting redemption through the network 2 for a portion of the pre-accumulated reward points stored for the user in one of the rewarding entities. A user’s reward point account 52 is associated with each of the reward servers but is only shown in FIG. 4 connected to the airline server for sake of clarity. Communications are made by the trading server 20 to the user computer 40 via communications data flows 104. The user may interactively select rewards to be redeemed, or the system may determine which rewards are to be redeemed based on a previously defined user profile rule (step 606). The trading server computer 20 “obtains” the reward points from a reward server 10, 12 or 14 stored in the user’s account 52 by contacting the appropriate reward server via communication flow 110 (step 608) according to the user’s requirements, by using the connection parameters as identified in a database 54 on the trading server as shown in FIG. 5.

In one embodiment, the trading server retrieves reward point account balance information via communications flow 114 (step 610) from the reward server for the user. In another embodiment, the trading server transfers as part of the communication 110, the requested reward mileage to be redeemed (step 612). The reward server computer 10 decreases the user's reward point account 52 by the requested number of reward points (step 614). The term point is used to reference any earned value that has a cash equivalent or negotiable worth as in "frequent flyer" point or mile. The reward server computer 10 conveys consideration to the trading server computer 20 where the consideration corresponds to the number of reward points decreased in the user's account 52 on the reward server 10 (step 616). For example, the consideration may be in the form of a monetary credit to an account that exists between the trading server and the reward server, that gets paid at the end of a predefined billing cycle (i.e. every month). The trading server computer 20 increases the reward exchange account 54 associated with the user by the received number of points step 620). The trading server computer 20 in turn, receives the consideration from the reward server computer 10 (step 618)."

*The undersigned has carefully studied the above passages (column 6, lines 1-55) and (column 4, lines 1-45) without finding the transmitting to the point program terminal a command whereby points are with drawn and/or deposited into the point program associated with the one program.*

and

(ii) respond to the blocking signal to prevent the transmission of the command

(see column 4, lines 1-45) "A system and method are disclosed where the system allows the user to redeem the accumulated reward points from a plurality of reward entities for exchange with a merchant. The user requests process for redemption of the pre-accumulated reward points comprises the steps of the user requesting, via a user computer, a trading server computer to obtain reward points from a reward server associated with a rewarding entity with which the use has reward points. The reward server computer decreases the user's reward point account by the requested number of reward points. The reward server computer conveys consideration to the trading server computer, where the consideration corresponds to the number of reward points decreased in the account of the reward server. The trading server computer increases the reward exchange account on the trading server associated with the user by the requested number of points. The trading server receives the consideration from the reward server computer. Following or anticipating this conversion into the trading server, the user requests a purchase of an item from an associated merchant computer by selecting the item to be purchased from a plurality of available items. The trading

server computer confirms that the user's reward exchange account contains sufficient points to purchase the selected item. The user may purchase additional points in the event that his account does not contain the requisite number of points for making the purchase transaction. The trading server computer requests the merchant computer to deliver the item to the user. The trading server decreases the user exchange account by the number of points corresponding to the purchased item and the trading server computer conveys consideration to the merchant computer equivalent to the required points. In another embodiment, the user may redeem rewards at the reward server following the selection of an item to be acquired. Policies may be established to automatically contact each of the reward servers according to a user procurement profile to transact the required payment. This profile may indicate the order of redemption and method of providing funds sufficient to cover the purchase after redeemable points are exhausted. After redemption the consideration is transferred to the respective merchant."

*The undersigned has studied the passage (column 4, lines 1-45) without finding the step of responding to the blocking signal to prevent the transmission of the command.*

*Applicants express their appreciation to Examiner Lastra for the courtesies extended to the undersigned at a telephonic conference of August 15, 2006. At that interview, the undersigned discussed with the Examiner the new claims that the undersigned proposed to file in this applicant to clarify the differences between Applicants' invention and the teachings of the Postrel patent. In this Preliminary Office Action, Applicants formally files new claims 21 -28 and asserts that they are patentably distinct from Postrel. In particular, these new claims focus on the use of a common monetary currency which is used by Applicants for redeeming and purchasing points from a plurality of loyalty point system. In particular, each points issuer has a withdrawal rate which facilitates the redemption of points with a first points issuer and a deposit rate which facilitates the purchase of points from a second issuer, which subject matter is not taught by Postrel. Applicants requests that the Examiner review these new claims and the previously presented claims which have been amended to clarify the patentable differences between Applicants' invention and the teachings of Postrel.*

*In summary, Applicants respectfully state that the Postrel Patent does not teach their claimed invention, much less the entry by the program reward points and storage in that terminal data base of exchange rates for the points of the selected one royalty program, detect the absence of exchange rates for the selected one point program to transmit a blocking signal, and to respond to the blocking signal to prevent the transmission of the command.*

### **CLAIMS 21, 22, 23, 24, 25, 26, 27 AND 28 REJECTED BY POSTREL**

*Applicants respectfully traverse and request reconsideration of the rejection of Independent Claim 21, Claim 22 as dependent on Claim 21, Claim 23 as dependent on Claim 22, Independent Claim 24, Claim 25 as dependent on Claim 24, Claim 26 as dependent on Claim 25, Claim 27 as dependent on Claim 26 and Independent Claim 28, as being anticipated under 35 USC Section 102(e) by the Postrel Patent. Applicants assert that these claims 21-28 are patentable for the same reasons that were asserted with respect to Claim 1, which reasons are found above at page 17, line 9, to page 31, line 19. Further, the recitation of Claims 21-28 are all similar to those of Claim 1, which is reproduced in a skeletal form as follows with an indication of the recitation and claim that corresponds to each recitation of the Claim 1:*

*“A method of managing a first points issuer and second points, --- first points ---differ from the second points, --- said method comprising ---:*

- (a) a customer setting a first number of the first points to be sold;*

*Similar claim recitations: 21a; 24a; 28b*

- (b) first points issuer setting the point withdrawal rate ---and the second points issuer setting the deposit rate, each of said withdrawal rate and said deposit rate being indicative of monetary value ---of ---points;*

*Similar claim recitations: 21b;24a;28a*

- (c) determining a second number of the second points based upon the withdrawal rate of the first point issuer, the deposit rate of second points issuer and the first number of the firsts points; and

Similar claim recitations: 21e; 24d, 28e

- (d) exchanging the first number of the first points from the first point issuer to the second point issuer.

Similar claim recitations:

*A review of the above skeletal claim 1 indicates that each of the independent claims 21, 24 and 28 (as well as the related dependent claims) include at least one recitation which is not disclosed by Postrel as recited in Claim 1 as discussed in detail above. Therefore in a manner similar to Applicants' application of Postrel to claim 1, Applicants' respectfully assert that Postrel does not disclose each recitation of the independent claims 21, 24 and 28 and, therefore, does not anticipate these claims under 35 USC Section 102.*

#### **CLAIMS 1-4, 13, 14, AND 21 – 28 REJECTED BY LEE**

Applicants respectfully traverses and request reconsideration of the rejections of claims 1-4, 13, 14, and 21-28 as being anticipated under 35 USC Section 102 by US Patent Publication No. 2001/0054006 of Lee.

*In contrast to Applicants' points trading system, Lee's point trading system discloses a single point issuer such as a shopping mall site or a credit card that issues a single set of points of a common value to a plurality of entities referred to as member shops 220 and 280. The point accumulation system enables each member shop to give the shop's customers points based on the amount of time the customer uses such services or based on the value of purchase items, whereby that customer accumulates points received from that member shop.*

*As shown in Fig. 2, point data is transmitted from the member shops 220 and 280 over an Internet 20 and/or a dedicated network 26 to a service providing server 24, which operates with a transaction database 246 and a customer database 242. The member shops collect and transmit these holding points to the server 24. The server 24 is programmed to collect information on customers' holding points from member shops and stores that information in the customer database 242. Each customer can create a request for selling or buying a number of points.*

*Information on the customers' point and exchange rates as created by a customer are stored in the customer database 232. Screen 40, as shown in Fig. 4, illustrates the trade exchange rates 408, and the number of holding points stored in each shop 220 and/or 280. Further, switch 410 enables a customer to determine whether a trading exchange rate will be a selling exchange rate or a buying exchange rate. The selling exchange rate is a cash point which the customer receives when selling points of a member shop. On the other hand, the buying exchange rate is a cash point required for buying a point. The selling exchange rate is a cash point which the customer receives when selling points of a member shop. By contrast, the buying exchange rate is a cash point required for buying a point, and the rate is fixed to 110% of the selling exchange rate. This difference between the selling exchange rate and the buying exchange rate can be used for maintenance and management expense and profits. When the user clicks a confirmation button 412, trade request information is sent from the customer to the transaction processing unit 244 through the Internet 20 and the web server 254 of the service providing server 24. The transaction processing unit 244 stores the trade request information in the transaction database 246 and trades points according to the received trade request information.*

*Among the registered trade request information, the transaction of points the user wants to sell is carried out when another customer wants to buy the points. That is, when another customer requests to buy the points, the transaction processing unit 244 receives the request for buying the points from the customer through the web server 254, checks whether or not points for sale correspond to the buying request that exists in the transaction database 246, and when it is checked that points for sale satisfying the buying request exist, the transaction is processed.*

*Next, the transaction processing unit 244 updates the customer database 242 and the transaction database 246 according to the results of the transaction processing, and sends the results of the buying request processing to the member shop of the corresponding points. When a transaction is processed, the customer database 242 and the transaction database 246 are updated according to the results of the transaction processing, and the results of buying the requested processing are sent to the member shop of the corresponding points. According to the points trade service method, the points of each member shop the customer can buy required points and sell surplus points. A site administrator receives a predetermined commission on the customer's trade so that the money can be used for required expense or profits.*

In the following, Applicants will reproduce in skeletal form each such recitation of **Applicants' Claim 1**, before comparing that recitation with the method and apparatus (as set out below in italics) disclosed in the Lee publication:

*“A method of managing a first points issuer and a second points issuer, wherein first points are issued by a first point issuer and differ from the second points that are issued by the second points issuer, said managing method is implement by a computer programmed to effect the following steps of:”*

*Though the Examiner could arguably assert that Lee discloses a single point issue that provides a single set of points according to the price of these point or the length of the service given to the customer. However in the undersigned's opinion, Lee clearly discloses no structure that corresponds to both the first and second point issuers of Applicants.*

“(a) a customer setting a first number of the first points to be sold, “

*Lee does not disclose the step of enabling a customer to enter a number of the first points to be sold.*

“(b) the first points issuer setting the point withdrawal rate of the first points and the second point issuer setting the deposit rate of the second point, each of said withdrawal rate and of said deposit rate being indicative of the monetary value of each of the first points and each of the second points respectively;”

*Lee by contrast to Applicants defines his selling exchange rate as the number of selling points per 1000 points, but fails to disclose whether these cash points reflects the cost of the selling points. On the other hand, Lee evaluates the buying points as 110% of the selling rate. It is clear that such buying points and selling points are not an evaluation of the points but rather to pay for the cost of the points trading service and generate a profit.*

“(c) determining a second number of the second points based upon the points withdrawal rate of the first points issuer, the deposit rate of the second point issuer and the first number of the first points; and “

*Further Lee clearly does not disclose first and second point issuers, the withdrawal rate associated with the first point issuers, or the deposit rate associated with the second point issuers. Further, Lee does not teach that the administrators of the first and second points issuers*

*to set the price of the first and second points, respectively. Though both of Applicants and Lee contemplate the calculation of buying and selling exchange rates, the value of the respective rates are calculated in significantly different ways. Lee, on the one hand, sets the selling rate at a given value and then calculates the value of the buying rate as 110% of the selling rate. That increase in the price of the buying rate serves to compensate for the cost of operating this points trading server and/or to provide a profit. On the other hand, Applicants calculate its exchange rates in a significantly different process than that contemplated by Lee. In contrast to Lee's method of calculating its selling and buying rates, Applicants determine as recited in recitation (c) a second number of the second points based upon the points withdrawal (or selling) rate of the first points issuer, the deposit (or buying) rate of the second points issuer and the first number of the first points.*

*“(d) exchanging the first number of the first points from the first point issuer to the second point issuer.”*

*Even if for the sake of argument there was a first point issuer, Lee does not teach that the first points are exchanged from the first point issuer to the second point issuer.*

*Above Applicants have demonstrated that each recitation (a), (b), (c) and (d) of Claim 1 clearly distinguishes the teachings of Lee as discussed above. Appreciating that the recitations of claims 2 – 4, and 21 – 28 are similar to the recitations (a), (b), (c) and (d) of Claim 1, it follows that claims 2 – 4, and 21 – 28 are also distinguished from the disclosure of Lee and are deemed to be patentable for the reasons advanced about with respect to Claim 1.*

Each of **Applicants Claims 13 and 14** similarly recite the following recitations:

*“determining the presence or absence of each of the first and second exchange rates; and*

blocking the selling and /or buying of points in the absence of either of the first or second exchange rates.”

*Applicants respectfully assert that Lee fails to disclose a step of responding to the absence of his buying or selling exchange rates to block the selling or buying of Lee's points.*

*In the Examiner's 2<sup>nd</sup> Response (see page 25, l 2 et seq.), he states that Postrel discloses that when a user makes a redemption request to a reward server 10, 12 or 14 for points, this reward server repurchases these points at a discount or withdrawal rate, whereby the value of these point “is used to buy points from another point issuers at a conversion rate (i.e. deposit rate).” Applicants believes that the use of the term, withdrawal rate, in the above sentence is not clear and certainly fails to give the term, withdrawal rate, the meaning as established by Applicants' application, i.e., the rate that determines the value of the points being purchased by the other reward server. Similarly, Applicants assert that the use of the term, “conversion rate”, in the above context is at least unclear, if not inaccurate. In particular, the term, conversion rate as used in the context of this sentence and defined in the above identified application, relates to processing the points issued by a reward server and stored by the “conversion rate” into the reward server 20 for point redemption purposes (but not for exchange purposes). Applicants respectfully challenge the Examiner's rational that the described redemption of points provides a basis for asserting that “Postrel teaches a withdrawal and a deposit rate, as Postrel withdraws points from a first point issuer at a discount rate and uses a conversion rate to transform said points from said first point issuer to points that would be accepted (i.e., deposited) by another point issuer.” See page 25, et seq. Further, the use of the term, “conversion rate” as used in the above quote, is deemed to be inaccurate by stating that the first point issuer “uses a conversion rate to transform said points from said first point issuer to points that would be accepted (i.e.*

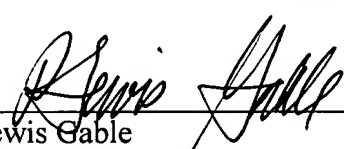
*deposited) by another point issuer." See page 25, l 4 et seq. Replacing the term, "conversions rate", with the term, "deposit terms", would render the claim accurate, but alas Postrel does not provide any teaching for such an amendment of Postrel's application. Only Applicants provide such teaching.*

If the Examiner is unable to allow this application, he is requested to place a call to the undersigned to suggest those Amendments whereby this application may be passed to issuance.

Respectfully submitted,

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